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May 21, 2003

VIA ECF SYSTEM

The Honorable Andre M. Davis
United States District Judge
United States District Court
for the District of Maryland
101 West Lombard Street
Baltimore, Maryland 21201

Re: Fidelity and Guaranty Life Insurance Co. v. Hepler, et al.
Civil Action No. AMD-00-CV-2549

Dear Judge Davis:

I represent United States Fidelity and Guaranty Company (“USF&G”), one of the interpleader defendants in the above-referenced case. I am writing to provide you with a status report on case.

When I wrote to you last, I had anticipated that USF&G and the other interpleader defendants would be able to present to the Court in short order a settlement or method for resolution of the case. On November 19, 2002, Terry Hepler, one of the interpleader defendants in the present case filed a Chapter 7 petition in the United States Bankruptcy Court for the Eastern District of Michigan, Petition No. 02-23763.

Mr. Hepler attempted to exempt the annuity at issue in the present case from his bankruptcy estate. Peachtree Finance Co., L.L.C. (“Peachtree”), also an interpleader defendant in the present case, is claiming a security interest in the structured settlement payments funded by the annuity and has filed an objection to the exemption in the bankruptcy court. Although Mr. Hepler received a discharge on March 13, 2003, the bankruptcy court has not ruled on Peachtree’s objection. Until the issues vis-à-vis the annuity are resolved by the bankruptcy court, the parties to the present case cannot proceed to resolve the issues before this Court.

When Mr. Hepler filed his bankruptcy petition, this case was subject to the automatic bankruptcy stay with respect to Mr. Hepler. Although Mr. Hepler has been discharged, Peachtree and USF&G would like to request that the case continue to be stayed with respect to all parties pending resolution the exemption issue in the bankruptcy proceedings.

Elyse Strickland, who represents Peachtree and Settlement Funding, L.L.C., and Stephen Kaufman, who represents F&G Life, have reviewed a draft of this letter and authorize me to submit it as a joint status report.

Sincerely,

/s/
H. Mark Stichel

cc: Elyse L. Strickland, Esquire (via ECF)
Stephen H. Kaufman, Esquire (via ECF)
Jack Webber
Betty Webber
Terry W. Hepler
David A. Lerner, Esquire